

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRICE CHANGES

Docket No. CP2022-99

**USPS RESPONSE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1,
WITH MATERIAL FILED UNDER SEAL**
(August 25, 2022)

The United States Postal Service hereby provides its response to Chairman's Information Request (CHIR) No. 1, which was issued on August 18, 2022. Responses were due by August 25, 2022. Each question is reprinted verbatim in the attached, and is followed by the Postal Service's response. Certain materials associated with the Postal Service's responses are being filed under seal. The Postal Service hereby incorporates by reference its Application for Non-Public Treatment filed in this docket for the protection of the material filed under seal today.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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August 25, 2022

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1. Please refer to USPS Notice of Revised Effective Date, Pursuant to Governors' Decision 22-4, filed August 16, 2022, in Docket Nos. MC2022-81 and MC2022-82.¹ The Postal Service states "[t]he classifications that are the subject of the instant dockets shall now be effective at such time in calendar year 2023 as management considers appropriate." Docket Nos. MC2022-81 and MC2022-82 Notice at 1.
 - a. Please confirm the Postal Service expects to set the effective date of the classification changes that are the subject of Docket Nos. MC2022-81 and MC2022-82 to on or after January 22, 2023.
 - b. If question 1.a. is not confirmed, please explain why the instant docket proposes prices for Retail Ground, Parcel Select Ground, and First-Class Package Service that would be effective through January 22, 2023.
 - c. If question 1.a. is not confirmed, please discuss how First-Class Package Service will be priced between the effective date of the classification changes that are the subject of Docket Nos. MC2022-81 and MC2022-82 and January 22, 2023.

RESPONSE:

- a. Confirmed.
- b. N/A
- c. N/A

¹ Docket Nos. MC2022-81 and MC2022-82, USPS Notice of Revised Effective Date, Pursuant to Governors' Decision 22-4, August 16, 2022 (Docket Nos. MC2022-81 and MC2022-82 Notice).

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2. Please refer to Excel file "PS Calc.xlsx."
 - a. Please define the acronyms TLPC and DIM found in tab "After Rates DIM Revenue PSG," cell B5.
 - b. Please refer to tabs "Baseline PSDE Prices" and "Proposed PSDE Prices."
 - i. Please confirm that the price table in tab "Baseline PSDE Prices" reflects current prices for both machinable and nonmachinable Parcel Select Destination Entry. If not confirmed, please identify what the prices in the price table reflect.
 - ii. Please confirm that the price table in tab "Proposed PSDE Prices" reflects the proposed prices for both machinable and nonmachinable Parcel Select Destination Entry. If confirmed, please explain why the title of the price table refers to machinable prices. If not confirmed, please then confirm that the prices for pieces weighing more than 35 pounds and up to 70 pounds are nonmachinable prices.
 - iii. Please refer to the price tables in tabs "Baseline PSDE Prices" and "Proposed PSDE Prices" and provide the source data and underlying calculations for the prices in cells C80:J80 in both tabs.
 - iv. Please provide the prices missing from cells D80:F80 or explain why they should be omitted in tabs "Baseline PSDE Prices" and "Proposed PSDE Prices."
 - v. Please refer to the notes in cells A84, B86, and E86 and the prices in cells F9:F80 in tabs "Baseline PSDE Prices" and "Proposed PSDE Prices." The notes in cells A84, B86, and E86 reference a nonmachinable surcharge for destination sectional center facility (DSCF) (if 3-digit). Please also refer to the note in cell A87. Please confirm that the prices in cells F9:F80 include the nonmachinable surcharge referenced in cell E86. If not confirmed, please explain why there are machinable rates for DSCF 3-digit pieces in light of the note in cell A87.
 - vi. Please confirm that machinable DSCF 3-digit pieces will also pay the nonmachinable rate. If not confirmed, please explain why not in light of the note in cell A87 in tabs "Baseline PSDE Prices" and "Proposed PSDE Prices."
 - c. Please provide a revision of Excel file "PS Calc.xlsx" that includes separate price tables for machinable and nonmachinable prices, reflects corrected identification of price tables (e.g., machinable vs. nonmachinable prices), and includes source data and formulas that demonstrate calculations.

RESPONSE:

- a. TLPC is an acronym for the Time-Limited Price Change, the period of October 2, 2022, through January 22, 2023, which falls in Fiscal Year 2023. DIM is the volume

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of Parcel Select Ground pieces subject to Dimensional Weight Pricing. The “After Rates DIM Revenue PSG” tab applies actual FY2021 DIM volumes from the “Baseline DIM Volume PSDE” tab to each rate cell in the “Proposed PSDE Prices” tab, and the total Dim Weighted Revenue is incorporated into the “After Rates Revenue” tab as “Dim Weight” Revenue to provide a comprehensive Price Change Analysis using Laspeyres Methodology.

- b. Please see responses below pertaining to the “Baseline PSDE Prices” and “Proposed PSDE Prices” tabs.
 - i. Confirmed, with the caveat that the table is not a pure “price table.” The table contains both machinable and nonmachinable prices, as well as some inputs that are not prices but rather price elements/components or the weighted-average of prices (see below). The asterisk in the heading is not meant to imply that the prices therein are only for machinable parcels. Instead, its intended message is that those prices apply directly, *if* the parcel is machinable.

More specifically, the table – which is intended as an aid in the calculation of total revenue – is a complex of a variety of inputs.

(1) The DSCF SCF and DNDC inputs from 1 to 35 pounds are machinable prices.

(2) The DDU and DSCF 5-Digit inputs from 1 to 35 pounds are the prices for all parcels, whether they are machinable or nonmachinable. This inclusivity follows from the fact that DDU and DSCF 5-Digit are not surcharged for nonmachinability.

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- (3) By definition, all parcels weighing more than 35 pounds are nonmachinable. So, despite the fact that a nonmachinable surcharge does not apply, the DDU and DSCF 5-Digit inputs from 36 to 70 pounds are nonmachinable prices.
- (4) The DNDC inputs in the nonmachinability range, 36 to 70 pounds, are not prices. Rather, they are bases to which the nonmachinable surcharge (\$3.00) is added to yield the final price. In addition, any nonmachinable DNDC parcel within the 1 to 35 pound range is assessed the machinable price plus the \$3.00 surcharge.
- (5) The DSCF SCF inputs in the nonmachinability range, 36 to 70 pounds, are not prices. In addition, due to (6) below, they are superfluous to the calculation of total revenue. They could have been left out of the table.
- (6) The DSCF 3-Digit inputs over the entire 1 to 70 pound range are nonmachinable prices. Note that they incorporate a surcharge of \$2.65 versus the DSCF 5-Digit price.
- (7) By definition, Oversized parcels are nonmachinable. So the Oversized inputs are nonmachinable prices.
- (8) The dim weight (dimensional weight) inputs are weighted-average prices for parcels that are assessed at the dim weight rather than at the actual weight.
- ii. Confirmed. The table in "Proposed PSDE Prices" follows the same structure as described in 2(b)(i). The inclusion of the word 'Machinable' in the title cell

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B5 of this tab was inadvertent, and was not intended to convey that the table was any different than the "Baseline PSDE Prices" tab.

- iii. The Dim Weight inputs in cells C80:J80 represent weighted-average prices by each column or Entry-Sort level. The weighted average is calculated by taking the total DIM-weighted revenues, by column, in row 81 of the "Before Rates DIM Revenue PSDE" and "After Rates DIM Revenue PSDE" tabs and dividing the respective revenues by the actual FY21 DIM volumes in row 81 of the "Baseline DIM Volume PSDE" tab.
 - iv. The prices were correctly omitted for cells E80:F80, but should have been populated in cell D80. A corrected file with cell D80 populated is submitted with this response. The omission for cells E80:F80 is explained here: with FY2022 still underway, FY2021 volumes were used as baseline volumes in calculating Average Price Changes. The price table structure changed on January 9, 2022, so distinct DIM volumes by rate cell for DSCF SCF, 3-Digit, and 5-Digit were not available for FY2021. Due to the structural differences at the DSCF level between FY2021 and FY2022, weighted average prices were omitted from cells E80:F80 of the "Baseline PSDE Prices" and Proposed PSDE Prices" tabs.
 - v. Confirmed.
 - vi. Confirmed.
- c. Due to structural changes between FY2021 and FY2022, the current PS Calc file most accurately calculates the average price changes using Laspeyres methodology. FY2021 volumes were not separated by machinable and

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nonmachinable at each rate cell. Instead, only total nonmachinable DNDC and DSCF piece counts are available, as shown respectively in cells G85 and G86 of the Baseline Volume PSDE tab. These total nonmachinable volumes were multiplied against the corresponding nonmachinable surcharge fees and added to the revenue subtotals to accurately capture the total machinable and nonmachinable before-rates and after-rates revenues.

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3. Please refer to Excel files "NonPublic Annex Oct-Jan (BY21) FY2023.xlsx," "AfterRates_V14AR_Rev & Vol NonPublic.xlsx," "BeforeRates_V10BR_Rev & Vol NonPublic.xlsx," "IC2023V10BRAttributableCost.xlsx," and "IC2023V14ARAttributableCost.xlsx."
- a. Please provide a revision of Excel file "NonPublic Annex Oct-Jan (BY21) FY2023.xlsx" that includes source data and formulas that demonstrate the calculations of the data presented in the file. Please also include in the revised file any revisions necessitated by the responses to question 3.c. To the extent that the public (redacted) version of that file also needs to be revised, please file a revised public (redacted) version as well.²
 - b. Please refer to Excel files "IC2023V10BRAttributableCost.xlsx," tab "Attrib Contrib2023BR," rows 75 and 83 and "IC2023V14ARAttributableCost.xlsx," tab "Attrib Contrib2023AR," rows 75 and 83. Please explain the difference between the data reported in the two referenced rows in both files.
 - c. Please refer to Excel file "NonPublic Annex Oct-Jan (BY21) FY2023.xlsx," tab "Competitive Oct-Jan FY23."
 - i. Please refer to cells G48, H48, I48, and J48. Given that Parcel Return Service prices are not proposed to change in this proceeding, please explain why the referenced cells reflect changes. See Notice at 1.
 - ii. Please refer to cells H31:H32, H36:H37, and H85:H86. Please reconcile the volume data in the referenced cells with the corresponding volume data reported in Excel files "AfterRates_V14AR_Rev & VolNonPublic.xlsx," tab "GFY_Vol," cells R134:R136 and R160 and "BeforeRates_V10BR_Rev & Vol NonPublic.xlsx," tab "GFY_Vol," cells R134:R136 and R160.
 - iii. Please refer to cells G85:G86. Please also refer to Excel files "IC2023V10BRAttributableCost.xlsx," tab "Attrib Contrib2023BR," cells C74 and C83 and "IC2023V14ARAttributableCost.xlsx," tab "Attrib Contrib2023AR," cells C74 and C83. Please reconcile the revenue data in the referenced cells with the corresponding revenue data reported in Excel files "AfterRates_V14AR_Rev & Vol NonPublic.xlsx," tab "GFY_Rev," cell R180 and "BeforeRates_V10BR_Rev & Vol NonPublic.xlsx," tab "GFY_Rev," cell R180.

RESPONSE:

- a. Please see the revised financial file "Linked NonPublic Annex Oct-Jan (BY21) FY2023.xlsm" filed under seal in "Supp Info Finance – Revised.zip", and the attached

² See Notice, Competitive Rate Changes October 02, 2022 to January 22, 2023 Implementation, at 1.

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public file "Redacted NonPublic Annex Oct-Jan (BY21) FY2023.pdf." The first of these two files has links intact to the other files submitted, and both files include a corrected spread between traditional and lightweight Parcel Select.

b. If the question is referring to the difference between row 75 and 83, then row 75 is for all international products and row 83 is for competitive international products, consistent with the labels in the relevant rows.

If the question is referring to the small difference in attributable costs between IC2023V10BRAttributableCost.xlsx and IC2023V14ARAttributableCost.xlsx, then this is due to the redistribution of attributable costs to all products due to the overall change in mail and package volume, consistent with the roll forward methods filed with the Commission and other rate case filings under the current system.

c.

i. As described in the product demand equations filed with the Commission, Parcel Return Service volumes are a function of Parcel Select volumes, which change in this rate case filing due to the price change in Parcel Select.

ii. Regarding H31:H32, H36:H37 in contribution file and R134:R136 in BR/AR files: there was a linking error in the contribution report referencing the incorrect year, which affected the split of Parcel Select volumes between traditional and lightweight (but not total Parcel Select volumes). The attached report is corrected.

Regarding H85:H86 in contribution file and R160 in BR/AR files: Premium Forwarding Service is not included in the count of volume in the forecast file (Rev and Vol files), whereas it is included in the Non-Public Annex in

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total H85:H86. Excluding Premium Forwarding Service, the variance between BR/AR file is 5.5 million, which is the difference in international competitive volumes between the volume and revenue forecast and the roll forward reports. This difference is a result of approximations to determine the split between market dominant and competitive international volumes in the roll forward. In future filings, we will attempt to capture the split more accurately between market dominant and competitive international products in the non-public annex file and the Attributable Cost files (referenced in part iii of this question) when we report aggregate totals for these products.

Total Competitive Variance (000's)	V10_BR	V14_AR
Competitive in forecast file (R160)	6,480,309	6,444,006
Competitive in contribution file (H85:H86)	6,486,754	6,450,452
Difference	(6,445)	(6,445)
Premium forwarding service volume (PFS) (H51:H52)	942	942
Total competitive variance without PFS volume	(5,504)	(5,504)

International Competitive Variance (000's)	V10_BR	V14_AR
Competitive: International in forecast file (R158)	180,296	180,296
Competitive: International in contribution file (H81:H82)	185,800	185,799.78
Total international competitive volume variance	(5,504)	(5,504)

iii. The BR and AR forecast (Rev and Vol files) competitive revenue totals include Other Competitive Revenue (row 178 on the GFY_Vol tabs), which is not attributed to products in the roll forward. The remaining differences in revenue are due to differences in two categories: domestic ancillary services and competitive international revenue. Revenue in the roll forward, reported on the "AttributableCost tabs," for certain ancillary services, including Signature Confirmation, Adult Signature, Package Intercept, and Premium Data Retention, is calculated as per the methods submitted for the ACR, folders USPS-FY21-NP26 USPS-FY21-NP27, and do not necessarily tie to the volume and revenue

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forecast (Rev & Vol files). However, in the future we will adjust these forecasting methods so that they tie to the ACR forecast. The difference in international competitive revenue is due to approximations in the split between market dominant and competitive revenue aggregate totals in the roll forward, as described in the answer to 3.c.ii above.

Total Competitive Variance (000's)	V10_BR	V14_AR
Competitive in forecast file (R180)	32,684,131	32,834,257
Competitive in contribution file (H85:H86)	32,519,975	32,670,101
Difference	164,156	164,156
Other competitive revenue in forecast file (R178)	154,882	154,882
Total competitive variance without other competitive revenue	9,274	9,274

Variance in domestic ancillary services (000's)	V10_BR	V14_AR
Domestic ancillary services in forecast file (R163)	82,610	82,610
Domestic ancillary services in PCCM-attributable cost file (C71:C73)	66,323	66,323
Difference in domestic ancillary services	16,287	16,287
Total variance without other revenue from forecast file and domestic ancillary services	(7,014)	(7,014)

International Competitive Variance (000's)	V10_BR	V14_AR
Competitive: International in forecast file (R158+R164+R169)	1,564,250	1,564,250
Competitive: International in contribution file (G81:G82)	1,571,264	1,571,264
Total international competitive revenue variance	(7,014)	(7,014)

Competitive Rate Changes October 02, 2022 to January 22, 2023 Implementation

COMPETITIVE PRODUCT CONTRIBUTION & COST COVERAGE ANALYSIS					
Fiscal Year 2023 October	FY2023 Revenue (000's)	FY2023 Volume (000's)	FY2023 Attributable Cost (000's)	FY2023 Contribution (000's)	FY2023 Cost Coverage
PRIORITY MAIL EXPRESS					
Current Prices	\$ 754,688	26,289			
New Prices	\$ 754,383	26,060			
Change	\$ (306)	(229)			
FIRST CLASS PACKAGE SERVICE					
Current Prices	\$ 7,193,589	1,819,241			
New Prices	\$ 7,309,051	1,806,505			
Change	\$ 115,462	(12,736)			
RETAIL GROUND					
Current Prices	\$ 562,534	22,537			
New Prices	\$ 547,000	21,516			
Change	\$ (15,534)	(1,021)			
PRIORITY MAIL					
Current Prices	\$ 12,134,364	1,258,523			
New Prices	\$ 12,202,798	1,246,206			
Change	\$ 68,434	(12,316)			
Parcel Select -Traditional					
Current Prices	\$ 5,089,041	1,473,940			
New Prices	\$ 5,071,606	1,464,097			
Change	\$ (17,435)	(9,843)			
Parcel Select - Lightweight					
Current Prices	\$ 3,600,575	1,622,506			
New Prices	\$ 3,600,575	1,622,506			
Change	\$ -	-			
Parcel Select Change - Total					
Current Prices	\$ 8,689,616	3,096,445			
New Prices	\$ 8,672,181	3,086,603			
Change	\$ (17,435)	(9,843)			
Parcel Return Service					
Current Prices	\$ 258,389	76,977			
New Prices	\$ 257,894	76,820			
Change	\$ (495)	(157)			
Premium Forwarding Service					
Current Prices	\$ 23,994	942			
New Prices	\$ 23,994	942			
Change	\$ -	-			
POST OFFICE BOX SERVICES					
Current Prices	\$ 1,122,555	-			
New Prices	\$ 1,122,555	-			
Change	\$ -	-			
Address Enhancement Services					
Current Prices	\$ 1,386	-			
New Prices	\$ 1,386	-			
Change	\$ -	-			
Shipping & Mailing Supplies					
Current Prices	\$ 116,682	-			
New Prices	\$ 116,682	-			
Change	\$ -	-			
Other Ancillary Services					
Current Prices	\$ 66,323	-			
New Prices	\$ 66,323	-			
Change	\$ -	-			
Greeting Cards					
Current Prices	\$ 24,590	-			
New Prices	\$ 24,590	-			
Change	\$ -	-			
Competitive International*					
Current Prices	\$ 1,571,264	185,800			
New Prices	\$ 1,571,264	185,800			
Change	\$ -	-			
Total Competitive Products (Current)	\$ 32,519,975	6,486,754			
Total Competitive Products (New)	\$ 32,670,101	6,450,452			
Differences	\$ 150,126	(36,302)			
Competitive Product Contribution Calculation					
Total Contribution		\$ 12,069,728			
Institutional Cost		\$ 36,757,393			
Contribution from Competitive Products as a % of Institutional Cost		32.8%			

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4. Please refer to the Excel file "FCPS Calc.xlsx," tab "FCPS BR Prices & Revenue," cells R6:R9 and the January 22, 2023, rollback prices proposed for the Mail Classification Schedule (MCS) in section 2125.6.³ Please confirm that the prices for Zone 7 pieces with a maximum weight of 4 ounces will be rolled back to \$3.72 and not the prices in the referenced cells. If confirmed, please submit a revision of Excel file "FCPS Calc.xlsx" to reflect the correct prices.

RESPONSE:

Confirmed. While reviewing this, the Postal Service noticed that the prices for Zone 8 pieces with a maximum weight of 4 ounces had the same issue. All prices were corrected in the version submitted with this response.

³ Notice, Decision of the Governors of the United States Postal Service on Changes in Rates of General Applicability for Competitive Products (Governors' Decision No. 22-3), at Attachment to Governors' Decision 22-3 January 22, 2023 Price Rollback, § 2125.6 (January 22 MCS Attachment).

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5. Please confirm that First-Class Package Service has Zone 9 prices. If confirmed, please explain why a column and heading reflecting Zone 9 pricing does not appear in the MCS for First-Class Package Service Retail and Commercial.⁴ Please also submit revised MCS price tables reflecting the Zone 9 prices for First-Class Package Service both as of October 2, 2022, and after the proposed rates are rolled back on January 22, 2023.

RESPONSE:

First-Class Package Service packages shipped to Zone 9 pay Zone 8 prices. This approach is similar to how pricing works for USPS Retail Ground and Parcel Select Ground, which also only contain columns up to Zone 8 in the MCS. The MCS has never included a column or heading for Zone 9 for those three offerings, and the Postal Service has never sought to amend the MCS to add this additional column. Therefore, Postal Service's price tables in this case are consistent with the MCS.

⁴ January 22 MCS Attachment at § 2125.6; Notice, Decision of the Governors of the United States Postal Service on Changes in Rates of General Applicability for Competitive Products (Governors' Decision No. 22-3), at Attachment to Governors' Decision 22-3 October 2, 2022 Price Change, § 2125.6.